

January 30, 2014



Consolidated Financial Results For the Fiscal Year Ended December 31, 2013 <under Japanese GAAP>

Company name: Densan System Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)
 Code number: 3630
 URL: <http://www.densan-s.co.jp>
 Representatives: Masanao Miyachi, Chairman, Representative Director & CEO
 Yasunori Tanaka, President, Representative Director & COO
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Scheduled date of ordinary general meeting of shareholders: March 26, 2014

Scheduled date to commence dividend payments: March 27, 2014

Scheduled date to file Securities Report: March 27, 2014

Preparation of supplementary materials on consolidated financial results: None

Investor meeting presentation: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2013

(January 1, 2013 through December 31, 2013)

(1) Results of Operations

(%: Changes from the previous fiscal year)

Fiscal year ended	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2013	24,559	5.1	1,016	12.5	1,021	10.1	593	14.8
December 31, 2012	23,369	11.1	903	10.8	928	11.9	516	14.7

Note: Comprehensive income:

December 31, 2013: 676 million yen, 21.6%

December 31, 2012: 556 million yen, 21.3%

Fiscal year ended	Net Income per Share	Diluted Net Income per Share	Net Income on Own Capital	Ordinary Income to Total Assets	Operating Income to Net Sales
	yen	yen	%	%	%
December 31, 2013	63.70	62.53	9.1	4.1	4.1
December 31, 2012	57.53	—	8.7	3.4	3.9

Reference: Equity-method investment gains or losses:

Year ended December 31, 2013: 0 million yen

Year ended December 31, 2012: 1 million yen

Note: The Company conducted a 1:2 stock split on its common shares with the effective date of July 1, 2013. Net income per share and diluted net income per share above is calculated under the assumption that the stock split had been implemented at the beginning of the fiscal year ended December 31, 2012.

(2) Financial Conditions

As of	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	million yen	million yen	%	yen
December 31, 2013	26,396	7,072	26.4	723.51
December 31, 2012	24,011	6,207	25.5	681.64

(TRANSLATION FOR REFERENCE ONLY)

Reference: Equity:

As of December 31, 2013: 6,981 million yen

As of December 31, 2012: 6,124 million yen

Note: The Company conducted a 1:2 stock split on its common shares with the effective date of July 1, 2013. Net assets per share above is calculated under the assumption that the stock split had been implemented at the beginning of the fiscal year ended December 31, 2012.

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the period
As of	million yen	million yen	million yen	million yen
December 31, 2013	1,140	(1,183)	625	2,540
December 31, 2012	884	(365)	(160)	1,966

2. Cash Dividends on Common Stock

	Cash Dividends per Share					Total Cash Dividends	Dividend Payout Ratio (Consolidated)	Dividend on Net Assets Ratio (Consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Fiscal year-end	Annual			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2012	—	17.00	—	23.00	40.00	179	34.8	3.0
December 31, 2013	—	20.00	—	10.00	—	188	31.4	2.8
Fiscal year ending December 31, 2014 (Forecast)	—	11.00	—	11.00	22.00		31.8	

The dividend for the fiscal year ended December 31, 2012 includes special dividend of 5 yen.

The Company conducted a 1:2 stock split on its common shares with the effective date of July 1, 2013. If adjusted to reflect the number of shares prior to the stock split, the dividend per share at the end of the fiscal year ended December 31, 2013 will be 20 yen and the annual dividend will amount to 40 yen.

3. Earnings Forecasts for the Fiscal Year Ending December 31, 2014

(January 1, 2014 through December 31, 2014)

(%: Changes from the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First six months ending June 30, 2014	13,045	7.6	475	(9.9)	480	(7.6)	281	(4.9)	29.16
Fiscal year ending December 31, 2014	27,000	9.9	1,120	10.2	1,120	9.6	667	12.4	69.12

4. Notes

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Changes in accounting policies, estimates, and amendments:
 - (a) Changes due to revisions of accounting standards, etc.: None
 - (b) Changes due to other reasons: None
 - (c) Changes in accounting estimates: None
 - (d) Amendments: None

(3) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

As of December 31, 2013: 9,904,100 shares
As of December 31, 2012: 9,240,000 shares

(b) Number of treasury stock at the end of the period

As of December 31, 2013: 254,854 shares
As of December 31, 2012: 254,604 shares

(c) Average number of shares during the period

Fiscal year ended December 31, 2013: 9,319,029 shares
Fiscal year ended December 31, 2012: 8,985,435 shares

Note: The Company conducted a 1:2 stock split on its common shares with the effective date of July 1, 2013.

Number of shares issued at the end of the period (including treasury stock), number of treasury stock at the end of the period and average number of shares during the period above is calculated under the assumption that the stock split had been implemented at the beginning of the fiscal year ended December 31, 2012.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year ended December 31, 2013

(January 1, 2013 through December 31, 2013)

(1) Results of Operations

(%: Changes from the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended								
December 31, 2013	23,611	3.8	977	10.4	980	7.9	578	12.0
December 31, 2012	22,753	11.4	885	9.4	907	10.7	516	16.7

	Net Income per Share	Diluted Net Income per Share
Fiscal year ended	yen	yen
December 31, 2013	62.03	60.90
December 31, 2012	57.46	—

(2) Financial Conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	million yen	million yen	%	yen
December 31, 2013	25,976	6,907	26.6	715.83
December 31, 2012	23,601	6,068	25.7	675.41

Reference: Equity:

As of December 31, 2013: 6,907 million yen

As of December 31, 2012: 6,068 million yen

***Disclosure regarding the execution of the audit process**

This “Consolidated Financial Results” Report is outside the scope of the audit procedure which is required by the “Financial Instruments and Exchange Act”. Therefore, the audit process has not been completed as of the date of the disclosure of this “Consolidated Financial Results” Report.

*** Proper use of forecasts of financial results, and other special matters**

The above forward-looking statements regarding earnings forecasts are based on information available as of the date of announcement of this material and certain information judged to be rational so that actual performance may differ materially from those forecasts due to various factors. Please refer to “1. Consolidated Results of Operations and Financial Conditions (1) Analysis of Results of Operations” on page 4 for cautions concerning the use of the earnings forecasts and suppositions that form assumption for the earnings forecasts.

1. Consolidated Results of Operations and Financial Conditions

(1) Analysis of Results of Operations

(a) Results of operations for the fiscal year ended December 31, 2013

In the fiscal year ended December 31, 2013, the Japanese economy has gradually recovered with improved business results, especially exporting companies, backed by a lower yen exchange rate and higher stock prices and with improvement in earnings and employment environment and revived consumer spending as a result of expectations for the government-led economic and monetary policies.

In such a business environment, under our management policy to create new value to bring customer movement, employee expectations and shareholder satisfaction, Densan Group (“the Group”) has aimed to carry out management schemes, while setting this fiscal year 2013 as a year of great progress in pursuing further business expansion and growth and moving forward.

The outlines of business results of each business segment are as follows:

(Information services business)

In the information services business, gift processing services for post offices and major retailers, outsourcing business of agency business to issue invoices and processing for gas stations have increased their sales. In systems integration (“SI”) and software development, Google related contracts such as GoogleApps and Google searching servers, contracts of systems for automatic auctions and development of mobile applications contributed to sales. However, due to the reduction of investment in development of major customers, the sales remained at the same level. In product sales, contracts of systems for medical institutions have increased its sales. As a result, net sales of the information services business increased by 2.9% from the previous fiscal year to 12,190 million yen and operating income was up 14.3% from the previous fiscal year to 597 million yen.

(Agency payment services business)

In agency payment services, acquisition of new customers has steadily increased and the number of payment services for existing customers such as mail order company, internet shopping websites and public money payment to local governments has also increased. In addition, the number of supermarkets and small-sized convenience stores introducing payment agency services had a steady increase.

As a result, the net sales of agency payment services business increased by 7.3% from the previous fiscal year to 123,68 million yen and operating income increased by 21.6% from the previous fiscal year to 448 million yen.

As a result, the Group recorded consolidated net sales of 24,559 million yen for the fiscal year ended December 31, 2013, an increase of 5.1% from the previous fiscal year. Regarding profitability, operating income improved by 12.5% from the previous fiscal year to 1,016 million yen, ordinary income increased by 10.1% from the previous fiscal year to 1,021 million yen, and net income grew by 14.8% from the previous fiscal year to 593 million yen.

Results by business segment for the fiscal year ended December 31, 2012

Segment	Fiscal year ended December 31, 2012		Fiscal year ended December 31, 2013		Change from the previous fiscal year	
	Net sales (A) (thousand yen)	A to B (%)	Net sales (C) (thousand yen)	C to B (%)	Amount (thousand yen)	Change (%)
Information services business						
SI • Software development	6,999,110	29.9	6,998,198	28.5	(911)	(0.0)
Information processing	3,290,771	14.1	3,499,664	14.2	208,893	6.3
Product sales	1,557,017	6.7	1,693,020	6.9	136,002	8.7
Sub-total	11,846,899	50.7	12,190,883	49.6	343,984	2.9
Agency payment services business	11,522,363	49.3	12,368,502	50.4	846,138	7.3
Total (B)	23,369,263	100.0	24,559,386	100.0	1,190,122	5.1

(b) Earnings forecast for the fiscal year ending December 31, 2014

Regarding the forecast, the Japanese economy is considered to continue recovering gradually, while there are concerns over a slowing economy due to the upcoming consumption tax increase.

Under such circumstances, the Group will create and provide more value-added products and goods and new services to keep increasing sales and profits in both businesses, and will strive to strengthen the businesses and increase profitability by investing management and human resources specifically into growth fields in the future.

(Information services business)

In information processing services, we will strive to increase the quantity of Business Process Outsourcing (“BPO”) businesses, enhance the quality by offering one-stop services, improve the quality of customer services and enlarge the scale by efficient and effective allocation of human resources and improvement in work efficiency.

SI and software development are expected to be challenging due to the trend of budget cuts and controls for IT investment of the major clients. However, we will aim to expand the scale of each order by promoting prime businesses, collaborating with core partners and major system integrators and acquiring stable orders from the public sector and financial sector and create demands for systems in the future by focusing on suggesting that we act as a bridge between IT technology and customer management issues. In addition, we will increase the sales of cloud services represented by GoogleApps and salesforce and develop applications to utilize rapidly proliferating mobile devices for businesses.

In product sales, we will endeavor to expand the sales of a new version of Dental Queen V which is software for dentists.

(Agency payment services business)

In agency payment services, demands for new convenient payment services are increasing, and competition with other companies is becoming more intense. Under such circumstances, the problem is how we will secure profits. In order to solve this problem, we will need to expand payment services for non-face-to-face transaction markets,

which are expected to have tremendous growth potential, and continue to invest management resources such as workforce and infrastructure, intensively into this field.

Furthermore, we will expand domestic money transfer services started in 2011 and create new services to improve customer usability by increasing handling places other than convenience stores for international money transfer services commenced in 2012 with the collaboration of The Western Union Company, one of the world's largest international money transfer companies.

According to the above, earnings forecasts for the fiscal year ending December 31, 2014 on a consolidated basis, net sales, operating income, ordinary income and net income are expected to amount to 27,000 million yen (up 9.9% from the current fiscal year), 1,120 million yen (up 10.2% from the current fiscal year), 1,120 million yen (up 9.6% from the current fiscal year), and 667 million yen (up 12.4% from the current fiscal year), respectively.